

RSC BRIEFING

8 August 1956

PANAMA CANAL

1. Sovereignty: In the US-Panama convention of 1903, Panama granted the United States, "in perpetuity," "all the rights" within the Canal Zone which the US would possess "if it were the sovereign." The basic grant has not been substantially altered by later agreements. The Panamanians insist the wording of the convention leaves them "residual" sovereignty. The US does not accept this interpretation.

A. The annuity paid Panama by the US was originally set at \$250,000; this was raised in 1936 to \$430,000, and in 1955 to \$1,930,000 per year.

2. Physical: 50 miles long, 6 double locks. About half the distance of the canal route is through the man-made Gatun Lake. The Canal handles two-way traffic for vessels with a maximum draft of forty feet. The width of each lock is 110 feet.

3. Traffic: In fiscal year 1955, there were 7,997 transits; \$33.8 million collected in tolls; 40.6 million tons of cargo transiting the Canal. Ships of 35 nationalities, including one Soviet ship, used the Canal. Major users:

	<u>% total vessel tonnage</u>
United States	30.8
Britain	17.2
Norway	11.3
Japan	6.7
Panama	5.7
Liberia	4.8
Denmark	3.5
West Germany	3.2
Sweden	2.5

3

X

DATE 1-14-80 REVIEWER: 372044

4. Ownership and Operation: The Panama Canal Company, which operates the Canal and auxiliary business enterprises, is owned completely by the US government. It is operated as a nonprofit business corporation under a Federal charter with management vested in a 13-member board of directors appointed by the Secretary of the Army acting for the President of the United States.

A. The governor of the Canal Zone Government (an independent US government agency) is also president of the Panama Canal Company.

B. Out of the Canal Company's gross income, the Canal Zone Government and the Panama Canal Company pay their own operating expenses, the net cost of civil government, interest and depreciation charges on the US investment, and the annual annuity to Panama.

(1) The gross direct investment of the United States in the Panama Canal as of 30 June 1955 was \$414 million. The net direct investment (subtracting \$34 million for dividends paid the US Treasury and \$12 million for lands returned to Panama in 1943) was \$368 million.

C. As of June 1955, Canal Company employees numbered approximately 12,000, including about 3,000 US citizens; Canal Zone Government employees numbered approximately 2,300, including about 1,100 US citizens.

5. Revenues: Canal tolls for merchant ships are leveled on the basis of a measurement ton of 100 cubic feet of space usable for revenue purposes. Rates are 90¢ per ton for laden ships, 72¢ for ships in ballast. Other ships pay 50¢ per displacement ton. US government ships pay tolls on the same basis as others.

A. The Canal Company's surplus for fiscal year 1955 was \$581,134. This brought the Company's total surplus ("retained income") to \$85.6 million. During fiscal year 1955 the company made a dividend payment of \$10 million to the US Treasury.

B. Panamanian Views on Canal's Status: There have never been any significant demands from influential Panamanians for the nationalization of the Canal by Panama. Demands for greater opportunities for Panamanian participation in the profits of the Canal have been frequent, however, and these led to the negotiation of the new US-Panama treaty signed in early 1955.

A. The Panamanian ambassador in Washington, asked by newsmen on 3 August whether the Panama Canal could be nationalized, replied, "Absolutely not." He added, however, that the US-Panama treaty does "not entirely fulfill the wishes and aspirations of the people and government of Panama," and said the Suez affair may lead to "better understanding and more liberal consideration toward Panama."

B. Later on 3 August the Panamanian press published a "clarification" of the ambassador's remarks by a Panamanian government official. According to this unnamed official, the ambassador in Washington meant that the Canal could not be nationalized by the United States, since the US does not have legal title to the Canal Zone, but only certain limited rights to use, occupy, and control the Zone so that it can operate, maintain, and protect the Canal. This was evidently intended as the new appeal to the old "residual sovereignty" argument.

C. In reference to the planned 24-nation conference on the Quez Canal, Panamanian President Arias announced on 5 August that Panama "has no reason to consider itself obligated by the decisions and recommendations" of the conference. This declaration was apparently the result of Panamanian pique at not having been invited to the conference.